

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

France:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in France

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

[Glossary of Direct Investment Terms and Definitions](#)

DIRECT INVESTMENT IN FRANCE

BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on (i) direct investment income (income on equity, and reinvested earnings only), and (ii) direct investment financial flows (equity capital and other capital) are disseminated with a timeliness of 6 weeks after the end of the reference period. Separately identifiable data on direct investment income on debt (interest) are not compiled, but are instead included under Portfolio Investment Income and Other Investment Income in the balance of payments statistics.

Revision Policy: The monthly data are revised on a quarterly basis, 3 months after the end of the reference quarter. Final data are disseminated 7-9 months after the end of the reference year.

Data Coverage: No sectors of activity are excluded from the data.

Data Collection Methods: Data are collected on an individual transactions basis, and reporting requirements are compulsory.

Data Sources: The data are compiled primarily from an international transactions recording system (ITRS). Press reports, and other information from resident direct investment enterprises, are used to estimate missing data. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, and (iii) registers maintained by government licensing and regulatory authorities.

Geographic Classification: Quarterly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 3 months after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data on occasion. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows into France during 2001 (ranked in descending order) were: the United Kingdom, Belgium, the Netherlands, Germany, and the United States.

Industrial Classification: Quarterly data showing a breakdown by industrial sector are disseminated for direct investment financial flows, with a timeliness of 3 months after the end of the reference period. (Data showing a breakdown by industrial sector for direct investment income are not compiled.) The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed breakdowns are also disseminated according to the Eurostat/OECD classification (11 major branches and a further disaggregation for manufacturing and services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in France: In accordance with the international standards, the basic criterion for defining direct investment enterprises in France is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is not applied, primarily because of the lack of a comprehensive register of the indirect relationships between affiliated enterprises. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct

investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in France are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses are not included. However, contrary to COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses are included. The data on direct investment earnings are compiled on the basis of settlements reported by economic agents and the net profits or losses indicated in the balance sheets of direct investment enterprises. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned but in the period in which they could have been distributed instead of reinvested (that is, Year N reinvested earnings are calculated as Year N profits minus Year N-1 dividends and distributed profits paid during Year N).

Treatment of Income on Debt (Interest): Not applicable. Separately identifiable data on income on debt (interest) are not compiled.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) long-term loans and deposits, and (ii) short-term loans and deposits. The data do not cover (i) bonds and money market instruments, (ii) financial leases, (iii) trade credits, and (iv) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of France and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, (i) equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, (ii) short-term loan transactions are recorded as “Direct investment Abroad: Increase in Claims on Affiliated Enterprises”, and (iii) long-term loan transactions are recorded as “Direct Investment in France: Decrease in Liabilities to Direct Investors”, rather than as “Direct Investment in France: Increase in Claims on Direct Investors” in all instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in France by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. The concept of offshore enterprises is not used in the French methodology at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in France by nonresidents are included in the direct investment data. Contrary to the international standards, in the case of SPEs established in France by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are not excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings in France by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, expenditure related to natural resources exploration in France by nonresidents is included in the data.

Exchange Rate Conversion: Most transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded. Reinvested earnings are converted to the unit of account at the exchange rate prevailing at the end of the period in which the data are recorded.

DIRECT INVESTMENT IN FRANCE
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 24 weeks (6 months) after the end of the reference period. (These are the most timely data.) More comprehensive annual (calendar year) data are disseminated 18 months after the end of the reference period.

Revision Policy: The data are revised 12 months after their first release, at the time of the release of the most comprehensive data, at which time they become final.

Data Coverage: No sectors of activity are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The most timely data are derived from accumulated transactions obtained from an international transactions reporting system (ITRS) and the last available position data from an annual enterprise surveys of residents with direct investment enterprises in France. Internal and private databases are also used as primary data sources. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data, with adjustments for price changes and exchange rate changes. The most comprehensive data on equity capital and reinvested earnings are compiled from published sources, such as company accounts, while the most comprehensive data on other capital are compiled from information obtained from an annual enterprise survey of direct investment enterprises in France. ITRS data are used for cross-checking the most comprehensive data. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from (i) the list of transactors from an international transactions reporting system (ITRS), (ii) other statistical collection forms, and (iii) registers maintained by government licensing and regulatory authorities.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 18 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is used in the compilation of the data on occasion. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in France as at the end of 2000 (ranked in descending order) were: the Netherlands, the United States, the United Kingdom, Germany, and Belgium.

Industrial Classification: Annual data showing a breakdown by industrial sector are disseminated with a timeliness of 18 months after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed breakdowns are also disseminated according to the Eurostat/OECD classification (11 major branches and a further disaggregation for manufacturing and services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investment Enterprises in France: In accordance with the international standards, the basic criterion for defining direct investment enterprises in France is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is not applied, primarily because of the lack of a comprehensive

register of the indirect relationships between affiliated enterprises. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, studies are under way to investigate the possibility of including data on indirectly owned enterprises in the position data in the future. Enterprises in France are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, but, contrary to the international standards, are not recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in France.)

Treatment of Other Capital: The data cover: (i) long-term loans and deposits, and (ii) short-term loans and deposits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, (iii) trade credits, and (iv) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of France and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, (i) equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", (ii) short-term loan positions are recorded as "Assets: Direct investment Abroad: Claims on Affiliated Enterprises", and (iii) long-term loan positions are recorded as "Liabilities: Direct Investment in France: Liabilities to Direct Investor", rather than as "Liabilities: Direct Investment in France: Claims on Direct Investors" in all instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in France by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. The concept of offshore enterprises is not used in the French methodology at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in France by nonresidents are included in the direct investment data. Contrary to the international standards, in the case of SPEs established in France by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions in equity capital and permanent debt, are not excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings in France by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, expenditure related to natural resources exploration in France by nonresidents is included in the data.

Valuation: The data for equity capital are recorded both at market values, as recommended in the international standards, and at book values. The book value used is the value of own funds as indicated on the liability side of the balance sheets of the resident direct investment enterprises, multiplied by the percentage of ownership. A global estimate of the equity capital position data at market values is also disseminated. The data on other capital are reported at book values, revalued at the current exchange rate.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.

FRANCE: DIRECT INVESTMENT ABROAD
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on (i) direct investment income (income on equity, and reinvested earnings only), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 6 weeks after the end of the reference period. Separately identifiable data on direct investment income on debt (interest) are not compiled, but are instead included under Portfolio Investment Income and Other Investment Income in the balance of payments statistics.

Revision Policy: The monthly data are revised on a quarterly basis, 3 months after the end of the reference quarter. Final data are disseminated 7-9 months after the end of the reference year.

Data Coverage: No sectors of activity are excluded from the data.

Data Collection Methods: Data are collected on an individual transactions basis, and reporting requirements are compulsory.

Data Sources: The data are compiled primarily from an international transactions recording system (ITRS). Press reports, and other information from resident direct investment enterprises, are used to estimate missing data. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from (i) reports made by resident direct investors directly to the head office of the Banque de France, and (ii) the regional branches/offices of the Banque de France.

Geographic Classification: Quarterly data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 3 months after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data on occasion. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows from French residents during 2001 (ranked in descending order) were: Belgium, the United States, Germany, the United Kingdom, and Italy.

Industrial Classification: Quarterly data showing a breakdown by industrial sector are disseminated for direct investment financial flows, with a timeliness of 3 months after the end of the reference period. (Data showing a breakdown by industrial sector for direct investment income are not compiled.) The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed breakdowns are also disseminated according to the Eurostat/OECD classification (11 major branches and a further disaggregation for manufacturing and services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is not applied, primarily because of the lack of a comprehensive register of the indirect relationships between affiliated enterprises. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct

investment financial flows data do not include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in France are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings: Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses are not included. However, contrary to COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses are included. The data on direct investment earnings are compiled on the basis of settlements reported by economic agents and the net profits or losses indicated in the balance sheets of direct investment enterprises. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned but in the period in which they could have been distributed instead of reinvested (that is, Year N reinvested earnings are calculated as Year N profits minus Year N-1 dividends and distributed profits paid during Year N).

Treatment of Income on Debt (Interest): Not applicable. Separately identifiable data on income on debt (interest) are not compiled.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares) and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) long-term loans and deposits, and (ii) short-term loans and deposits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, (iii) trade credits, and (iv) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of France and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, (i) equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, (ii) short-term loan transactions are recorded as “Direct investment Abroad: Increase in Claims on Affiliated Enterprises”, and (iii) long-term loan transactions are recorded as “Direct Investment in France: Decrease in Liabilities to Direct Investors”, rather than as “Direct Investment in France: Increase in Claims on Direct Investors” in all instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by French residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by French residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by French residents are included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by French residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are not excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by French resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by French residents.

Exchange Rate Conversion: Most transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded. Reinvested earnings are converted to the unit of account at the exchange rate prevailing at the end of the period in which the data are recorded.

FRANCE: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 24 weeks (6 months) after the end of the reference period. (These are the most timely data.) More comprehensive annual (calendar year) data are disseminated 18 months after the end of the reference period.

Revision Policy: The data are revised 12 months after their first release, at the time of the release of the most comprehensive data, at which time they become final.

Data Coverage: No sectors of activity are excluded from the data.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The most timely data are derived from accumulated transactions obtained from an international transactions reporting system (ITRS) and the last available position data from an annual enterprise surveys of residents with direct investment enterprises abroad. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data, with adjustments for price changes and exchange rate changes. The most comprehensive data on equity capital and reinvested earnings are compiled from published sources, such as company accounts, while the most comprehensive data on other capital are compiled from information obtained from an annual enterprise survey of residents with direct investment enterprises abroad. ITRS data are used for cross-checking the most comprehensive data. A business register of enterprises involved in direct investment is maintained. This register is updated on an annual basis using information from (i) reports made by resident direct investors directly of the head office of the Banque de France, and (ii) regional branches/offices of the Banque de France.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 18 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is used in the compilation of the data on occasion. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment from French residents as at the end of 2000 (ranked in descending order) were: the United States, the United Kingdom, Belgium, the Netherlands, and Canada.

Industrial Classification: Annual data showing a breakdown by industrial sector are disseminated with a timeliness of 18 months after the end of the reference period. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed breakdowns are also disseminated according to the Eurostat/OECD classification (11 major branches and a further disaggregation for manufacturing and services). Data showing breakdowns by industrial sector/region or economic zone are disseminated for (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are also disseminated.

B. Methodology

Definition of Direct Investors Abroad: In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The “Fully Consolidated System” (FCS) recommended in the international standards is not applied, primarily because of lack of a comprehensive register of the indirect relationships between affiliated enterprises. Specifically, the relevant share of indirectly-owned direct investment enterprises are not included in (i) the reinvested earnings data, and (ii) the equity and

other capital position data. However, studies are under way to investigate the possibility of including data on indirectly owned enterprises in the position data in the future. Enterprises in France are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, but, contrary to the international standards, are not recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital: The data cover: (i) long-term loans and deposits, and (ii) short-term loans and deposits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, (iii) trade credits, and (iv) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of France and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, (i) equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", (ii) short-term loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises", and (iii) long-term loan positions are recorded as "Liabilities: Direct Investment in France: Liabilities to Direct Investor", rather than as "Liabilities: Direct Investment in France: Claims on Direct Investors" in all instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by French residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by French residents are generally included in the direct investment data.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established abroad by French residents are included in the direct investment data. Contrary to the international standards, in the case of SPEs established abroad by French residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions in equity capital and permanent debt, are not excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by French resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by French residents.

Valuation: The data for equity capital are recorded both at market values, as recommended in the international standards, and at book values. The book value used is the value of own funds as indicated on the liability side of the balance sheets of the nonresident direct investment enterprises, multiplied by the percentage of ownership. A global estimate of the equity capital position data at market values is also disseminated. The data on other capital are reported at book values, revalued at the current exchange rate.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.